

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: General-Update on 1999/00 Investment Objectives

ITEM NUMBER: 12

ATTACHMENT(S): 1

ACTION: \_\_\_\_

DATE OF MEETING: June 7, 2000

INFORMATION: X

PRESENTER(S): Patrick Mitchell

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EXECUTIVE SUMMARY

In August 1999, the 1999/00 Investment Objectives were approved. One of the elements was to provide periodic updates of the progress in achieving the approved objectives. A recap of the investment objectives listed in chronological order is included as Attachment I. Under the status section, there are three alternatives: "completed", "in progress", "postponed" or simply left blank. A blank indicates little or no progress has transpired as of May 31, 2000.

1999 – 00 INVESTMENT OBJECTIVES  
TIMELINE BY DIVISION

Attachment 1  
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<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
ALTERNATIVE INVESTMENTS	Explore the feasibility and potential benefit of diversification criteria including an allocation to first time funds.	OCT 99	COMPLETED
	Explore the feasibility and potential benefit of inclusion of developed Pacific Basin countries (Australia, Hong Kong, Japan, New Zealand, and Singapore).	NOV 99	COMPLETED
	Explore the feasibility and potential benefits of investment in under-serviced areas of U.S. metro areas larger than one million.	JAN 00	
	Explore the feasibility and potential benefit of diversification criteria including an allocation to emerging technology venture funds	FEB 00	
	Explore the feasibility and potential benefit of inclusion of emerging markets Latin American countries (Argentina, Brazil, Chile, Columbia, Mexico, and Venezuela).	JUN 00	POSTPONED
	Explore and evaluate the use of a merchant banking concept for co-investments or direct investments	JUN 00	POSTPONED
CORPORATE GOVERNANCE	In conjunction with the Chief Legal Counsel, develop a securities litigation policy including the review, evaluation, and initiation of class actions.	OCT 99	COMPLETED
	Evaluate the role of internal staff in implementing the business plan for international proxy voting and corporate actions.	MAY 00	IN PROGRESS
	Explore, evaluate and present a report on the viability of actively managed domestic equity portfolios with a corporate governance or management control overlay.	JUN 00	POSTPONED
CREDIT ENHANCEMENT	Explore, evaluate, and report on working with a consortium of large public pension plans to provide credit enhancements on a national basis.	OCT 99	COMPLETED
	Explore, evaluate, and report on the viability of working with financial institutions to provide credit enhancement for securitized business loans for California companies.	NOV 99	COMPLETED
	Design and develop a credit enhancement vehicle to be utilized in a multi-family housing program.	MAR 00	COMPLETED

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<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
<b>CURRENCY HEDGING</b>	Evaluate the Currency Hedging Program in terms of the original objectives presented to the Investment Committee in July 1995. Include in the report a recommendation on the continued applicability of hedging currency concentrating on the risk control aspects.	APR 00	COMPLETED
	Utilize additional currency risk management strategies such as the use of currency options to increase the efficiency of the Currency Hedging Program.	APR 00	POSTPONED
<b>EXTERNAL EQUITIES</b>	Prepare, release, and evaluate Requests for Proposals for indexed domestic, international, and emerging market equities. The current contracts expire on January 31, 2000.	SEP 99	COMPLETED
	Explore, evaluate, and present a report on the appropriate method of selecting and/or approving allowable emerging market countries to be included in the active or passive emerging market portfolios.	SEP 99	COMPLETED
	Report on the implementation results for the actively managed segment of the domestic equity portfolio comparing actual results to the projected figures contained in the October 1997 Investment Committee presentation.	FEB 00	COMPLETED
	Explore, evaluate and present a report on the viability of utilizing long/short domestic equity managers as a portion of the actively managed segment of the domestic equity portfolio	APR 00	COMPLETED
<b>FIXED INCOME</b>	Explore, evaluate, and present the inclusion of high yield (junk) bonds in the fixed income portfolio. Elements presented should include: (1) role of high yield bonds, (2) strategic or opportunistic in nature, (3) internal or external management, and (4) appropriate performance benchmark.	NOV 99	COMPLETED

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<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
GENERAL	Complete an asset allocation review including the adoption of strategic targets and ranges for the major asset categories.	SEP 99	COMPLETED
	Revise the Investment Management Plan to reflect the modifications (if any) in the strategic asset allocation, investment objectives, and investment structure.	NOV 99	COMPLETED
	Prepare, release, and evaluate a Request for Proposal for the master custodian. The current contract expires on March 30, 2000.	NOV 99	COMPLETED
	Explore, evaluate, and present a report regarding the traditional and non-traditional risk measurement and control alternatives.	FEB 00	COMPLETED
	Evaluate, and present a report concerning the usage of S&P 500 Index options as a method for controlling investment portfolio risk and modifying asset allocation.	MAR 00	POSTPONED
	Review and revise the delegation of authority and authorized signers for the Investment Branch.	MAY 00	COMPLETED
HOME LOAN	Report on the revitalization of the Home Loan Program highlighting the progress achieved in implementing the business plan approved in September 1998.	JAN 00	COMPLETED
	Explore additional program enhancements concentrating on affordability issues such as no down payment and no points/no fee loans.	JAN 00	COMPLETED
INTERNAL EQUITIES	Utilize additional crossing systems such as Optimark or Lattice concentrating on increasing liquidity and reducing market impact.	AUG 99	COMPLETED
	Report on the progress achieved in implementing the internal equity management plan approved in May 1999.	FEB 00	COMPLETED
	Report on the Cash Equitization Program identifying the results compared to March 1999 Investment Committee presentation	APR 00	COMPLETED
	Explore, evaluate, and present a report on the viability of managing a portion of the passive international portfolio internally.	MAY 00	COMPLETED

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<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
INVESTMENT OPERATIONS	Participate in the planning and implementation process as approved for new or modified investment programs to minimize the disruptions to existing functions, products, and programs.	SEP 99	COMPLETED
	Evaluate enhancements to the real estate cash management program concentrating on the changes caused by the increase in geographic diversification and number of properties serviced.	APR 00	IN PROGRESS
	Utilize technology to enhance or improve the investment process such as Bloomberg direct link or PORTIA software.	JUN 00	COMPLETED
REAL ESTATE	Develop and present policy, procedures, and guidelines for the use of leverage in the moderate and high risk segments of the real estate portfolio.	SEP 99	COMPLETED
	Create and present a program for single-family residential development concentrating on affordability issues.	NOV 99	COMPLETED
	Create and present a program for urban redevelopment projects in larger metro areas in the United States.	FEB 00	COMPLETED
	Create and present a program for multi-family development and rehabilitation.	APR 00	COMPLETED
	Explore the viability of internal asset management for selected portions of the real estate portfolio such as the Pacific Northwest portfolio, California properties, or triple net leases.	JUN 00	POSTPONED
	Explore public real estate securities (REIT's) to determine the viability of including a public REIT component in the real estate portfolio.	JUN 00	COMPLETED
SECURITIES LENDING	Prepare, release, and evaluate a Request for Proposal for securities lending vendors. The current contracts expire on January 31, 2000.	SEP 99	COMPLETED
	Report on the progress achieved in implementing the securities lending business plan.	JUN 00	IN PROGRESS

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DIVISION	DESCRIPTION	MONTH	STATUS
SOFT DOLLAR	Report on implementation of the business plan concentrating on the progress of including the new domestic and international equity managers into the Program.	JUN 00	IN PROGRESS